



BUSINESS CONJUNCTURE NSI BUSINESS SURVEYS^{1, 2, 3}, JULY 2014

In July 2014 **the total business climate indicator**⁴ decreases by 3.2 percentage points compared to its level from the previous month (Annex, Figure 1) due to the more unfavourable business climate in all observed sectors - industry, construction, retail trade and service sector.

Industry. The composite indicator “business climate in industry” reduces by 2.1 percentage points in comparison with June (Annex, Figure 2) which is due to the worsening managers’ expectations about the business situation of the enterprises over the next 6 months. The inquiry also reports a decrease of production assurance with orders which is accompanied with more unfavourable expectations about the activity of the enterprises over the next 3 months (Annex, Figure 3). As regards the personnel certain expectations for its reduction over the next 3 months are registered.

The average capacity utilization in July reaches 74.2%. The enterprises report a surplus of capacity with regard to the expected demand over the next months, but this surplus decreased over the last 3 months (Annex, Figure 4).

The main obstacles for the business’ development in the branch remain the uncertain economic environment and insufficient domestic demand, as in the last month strengthen of their negative influence is observed (Annex, Figure 5).

Concerning the selling prices in industry the prevailing managers’ expectations are for preservation of their level over the next 3 months (Annex, Figure 6).

Construction. In July the composite indicator “business climate in construction” decreases by 3.0 percentage points (Annex, Figure 7) due to the more reserved construction entrepreneurs’ expectations about the business situation of the enterprises over the next 6 months (Annex, Figure 8). The production is assurance with contracts for 4.8 months by registering a decrease of 0.4 months compared to the assessment from April. At the same time the expectations about new orders over the next 6 months are also more unfavourable.

The uncertain economic environment continues to be the main factor limiting the activity of the enterprises in the branch as the last inquiry reports an increase of its unfavourable impact. In the second and third place are “competition in the branch” and “financial problems” (Annex, Figure 9).

¹ Since July 2010 the NSI has started publishing the business surveys data according to the new Classification of Economic Activities (NACE.BG 2008) (NACE Rev. 2). All of the time series have been recalculated according to the Classification and are comparable throughout time.

² Since May 2002 all business surveys have been co-financed by the NSI and the European Commission according to the agreement signed between these two institutions. NSI has undertaken to conduct the surveys according to the Harmonized EU Programme. Any notice or publication of NSI reflects the author’s view and the Commission is not liable for any use that may be made of the information contained therein.

³ The replies of questions from the inquiries are presented in a three-option ordinal scale of the following type: “up”, “unchanged”, “down” or “above normal”, “normal”, “below normal”. The balances of assessments are calculated as a difference of the relative shares of extreme variants of answers. **The Business climate indicator** is a geometric mean of balances of assessments of the present business situation and the expected business situation of enterprises in the next 6 months.

⁴ The total Business Climate Indicator is a weighted average of four branch business climate indicators in: industry, construction, retail trade and service sector. As the last indicator of the business climate in service sector has been included in the total time series since May 2002.



As regards the selling prices in construction the majority of the managers expect them to remain unchanged over the next 3 months (Annex, Figure 10).

Retail trade. The composite indicator “business climate in retail trade” drops by 6.2 compared to the previous month (Annex, Figure 11) which is due to the more unfavourable retailers’ assessments and expectations about the business situation of the enterprises (Annex, Figure 12). However their forecasts concerning the volume of sales and orders placed with suppliers over the next 3 months remain optimistic although more reserved in comparison with June.

The uncertain economic environment, competition in the branch and insufficient demand remain the main obstacles for the activity development in the branch, as in the last month strengthen of the negative impact of the first two factors is observed (Annex, Figure 13).

The retailers’ expectations about the selling prices in the branch are for preservation of their level over the next 3 months (Annex, Figure 14).

Service sector¹. In July the composite indicator “business climate in service sector” decreases by 2.8 percentage points (Annex, Figure 15) due to the shifting of the managers’ expectations about the business situation of the enterprises over the next 6 months from “better” towards preserving “the same” (Annex, Figure 16). As regards the demand for services the present tendency is assessed as improved, but the expectations over the next 3 months are more unfavourable.

The main factors limiting the activity in the branch continue to be connected with the uncertain economic environment and competition in the branch (Annex, Figure 17).

Concerning the selling prices the managers’ expectations are them to remain unchanged over the next 3 months (Annex, Figure 18).

¹ Excl. trade.



Annex

Figure 1. Business climate - total

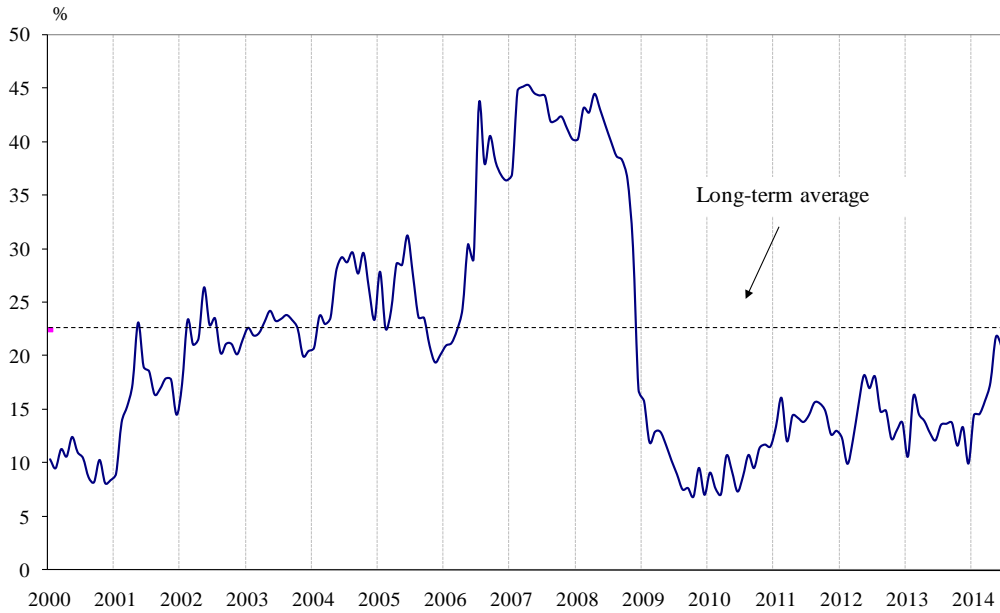


Figure 2. Business climate in industry

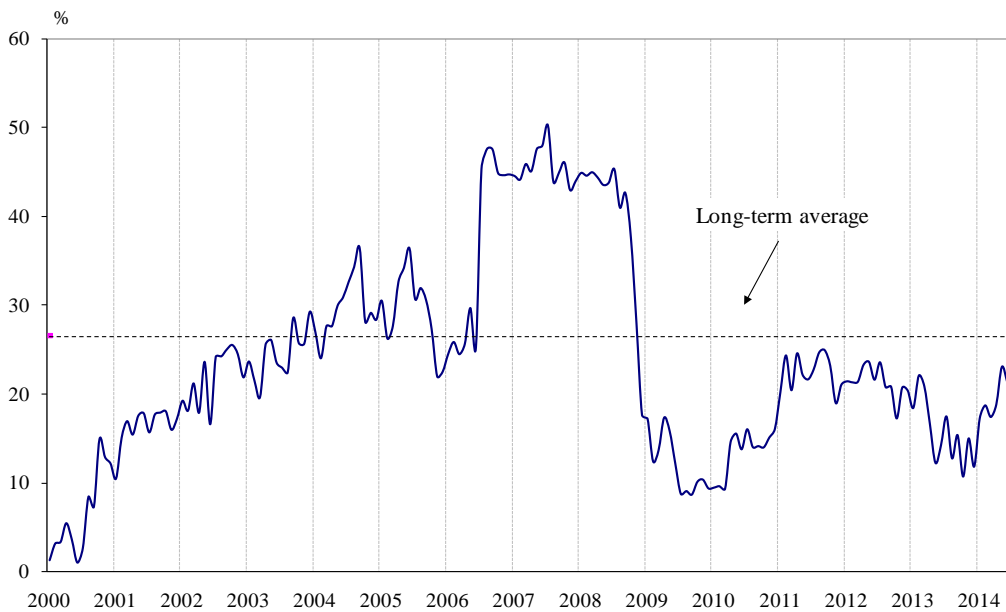




Figure 3. Expected production activity in industry over the next 3 months

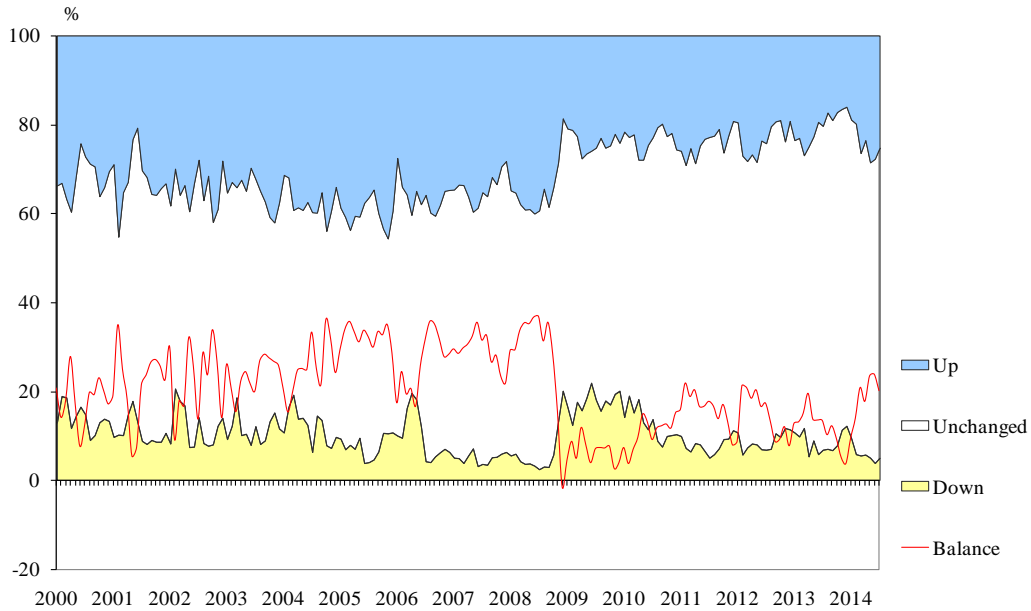
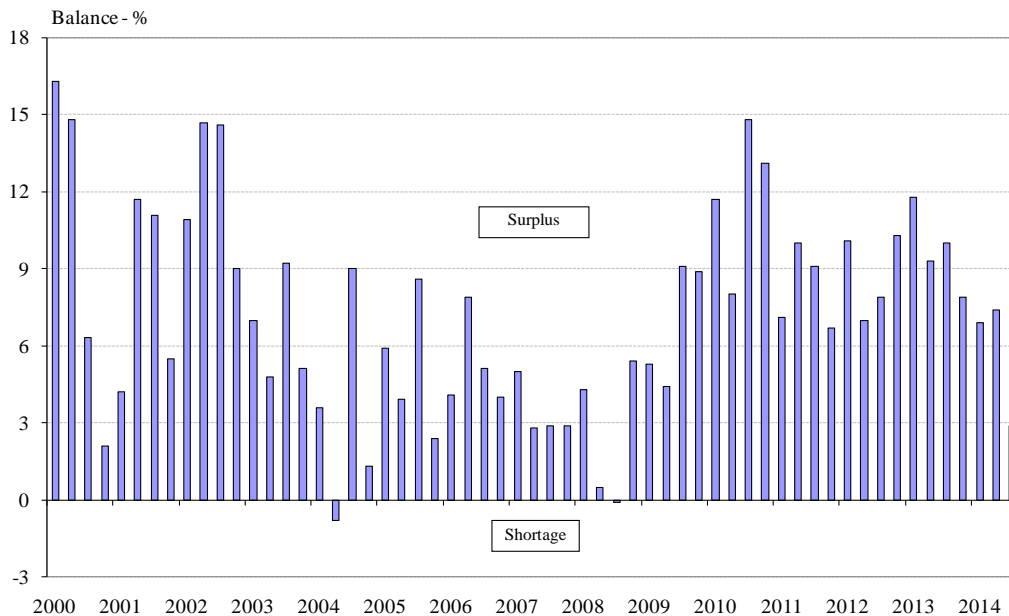
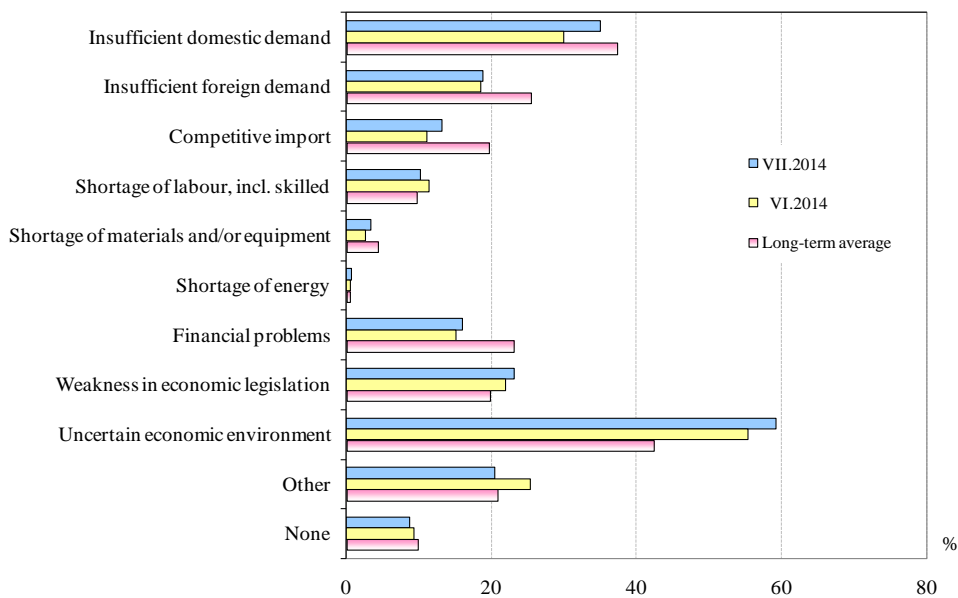


Figure 4. Current production capacity in industry with regard to the expected demand over the next months





**Figure 5. Limits to production in industry
(Relative share of enterprises)**



**Figure 6. Selling prices expectations in industry
over the next 3 months**

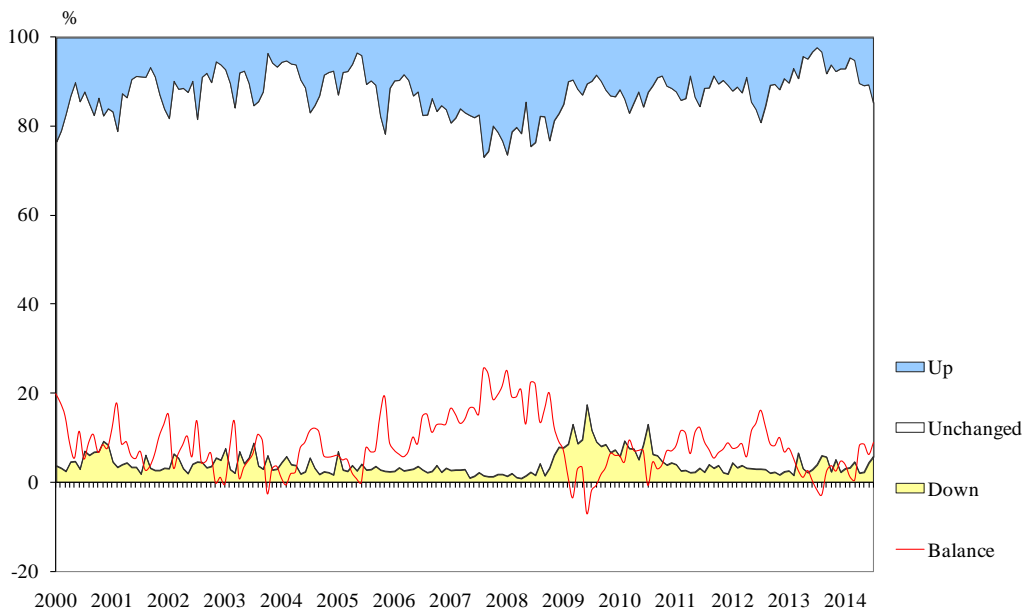




Figure 7. Business climate in construction

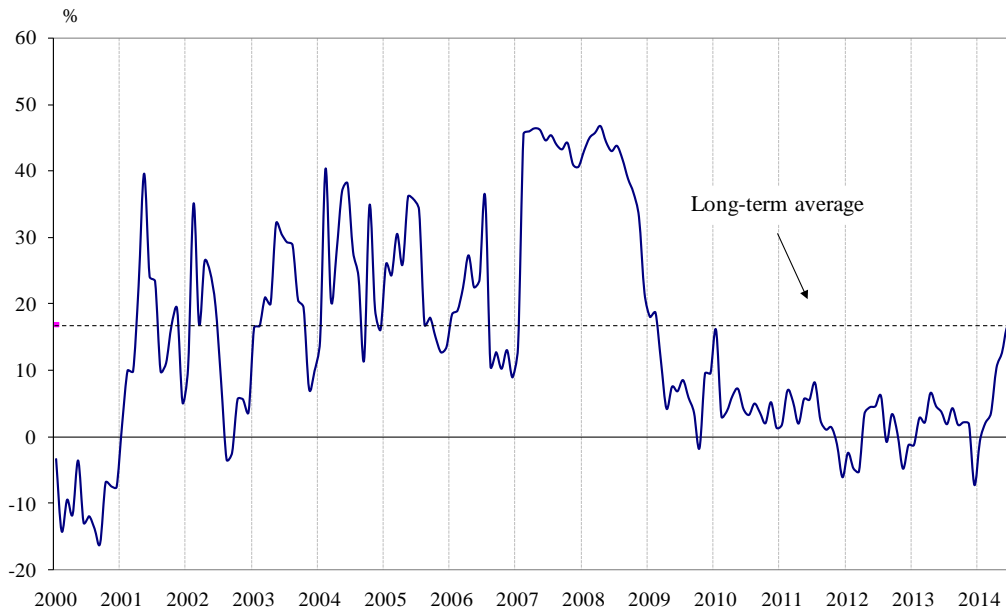
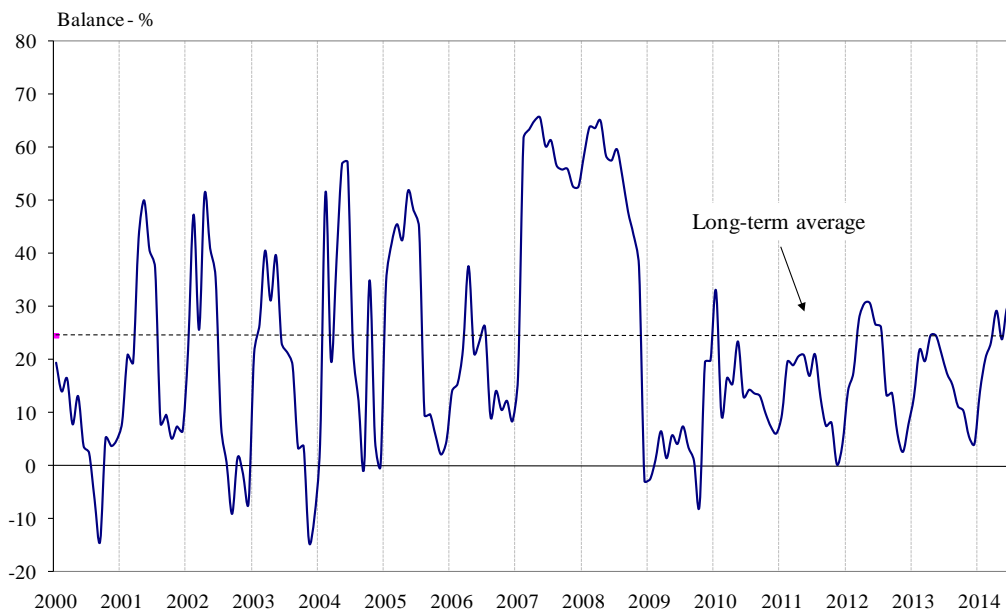
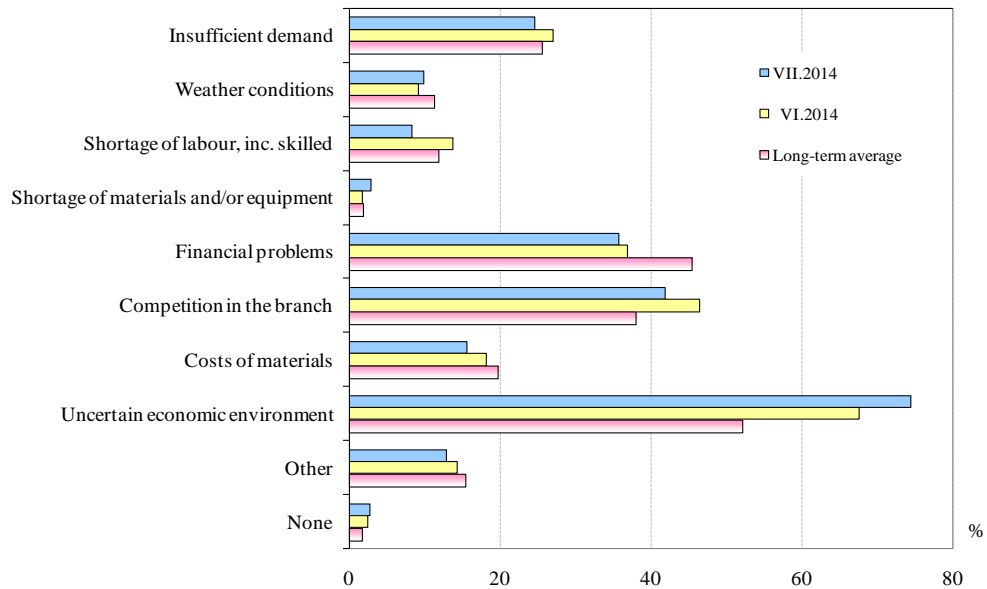


Figure 8. Expected business situation in construction over the next 6 months





**Figure 9. Limits to construction activity
(Relative share of enterprises)**



**Figure 10. Selling prices expectations in construction
over the next 3 months**

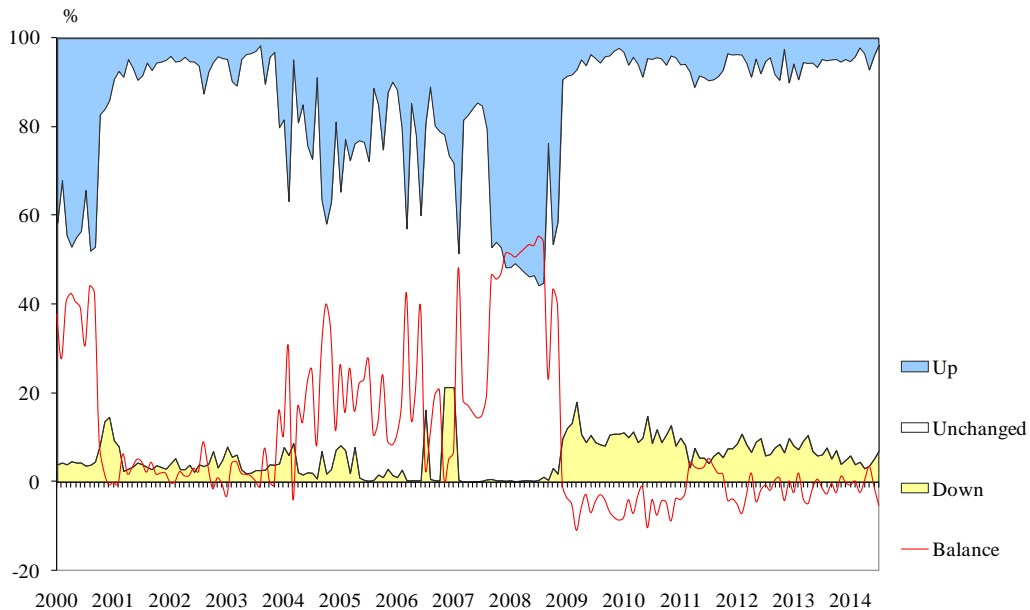




Figure 11. Business climate in retail trade

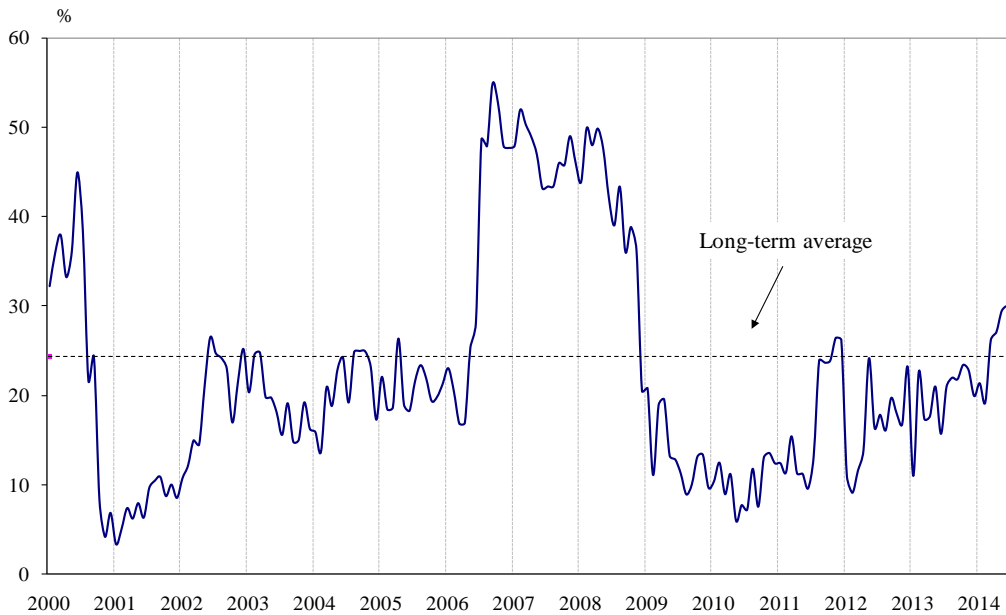


Figure 12. Present business situation in retail trade

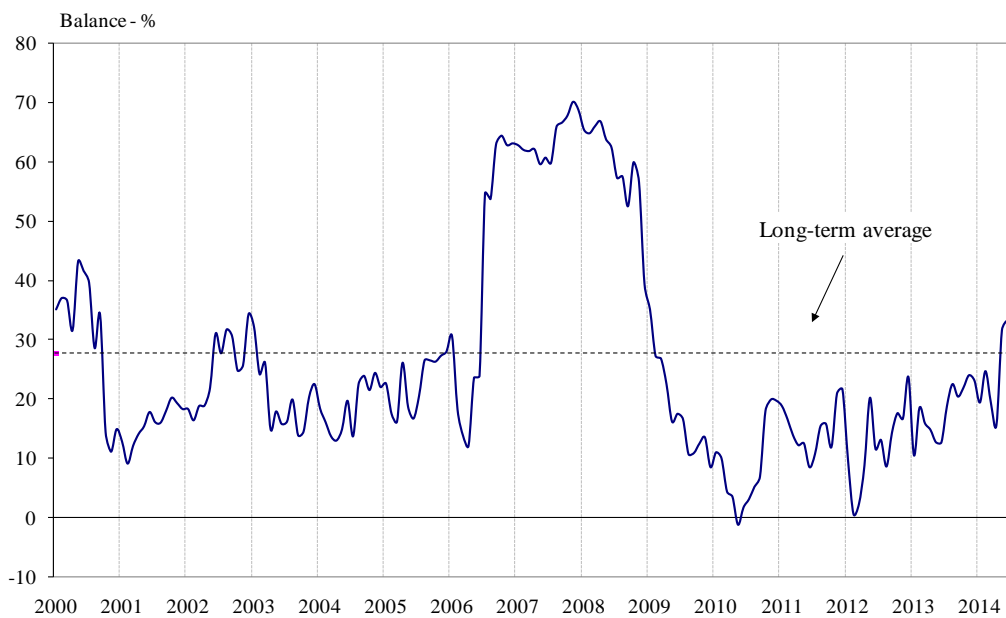




Figure 13. Factors limiting the improvement of the business situation in retail trade (Relative share of enterprises)

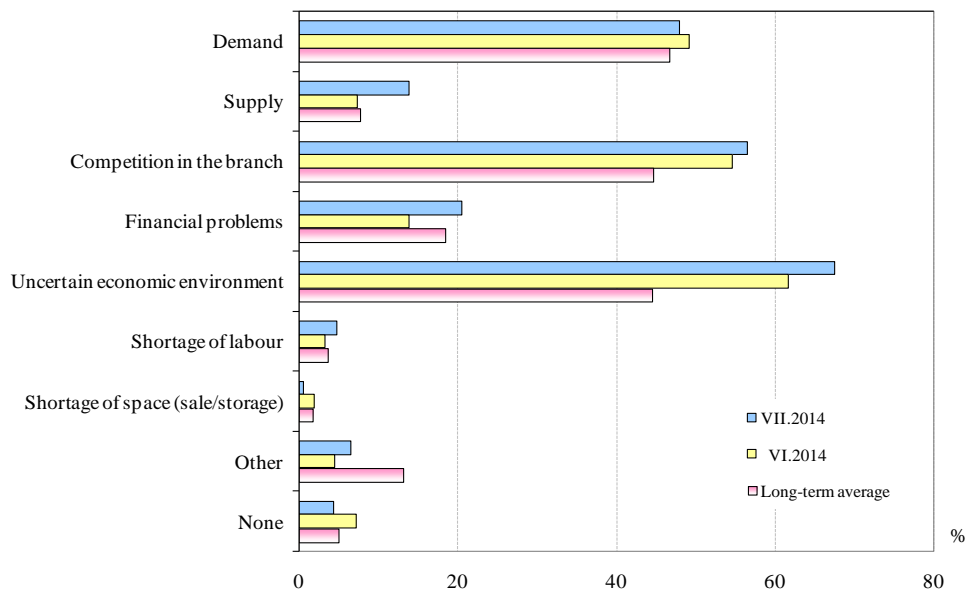


Figure 14. Selling prices expectations in retail trade over the next 3 months

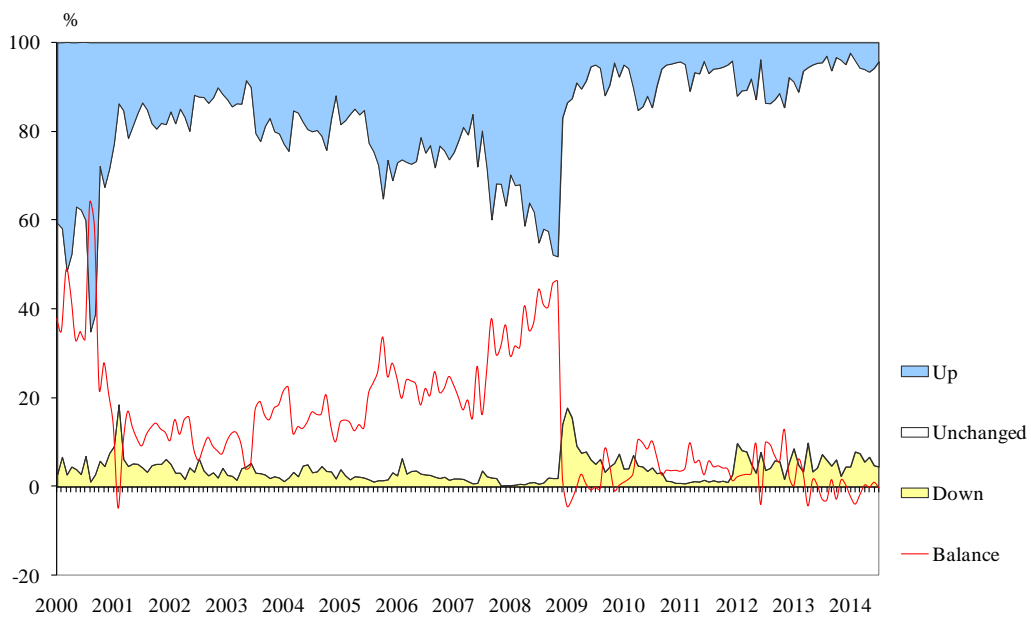




Figure 15. Business climate in service sector

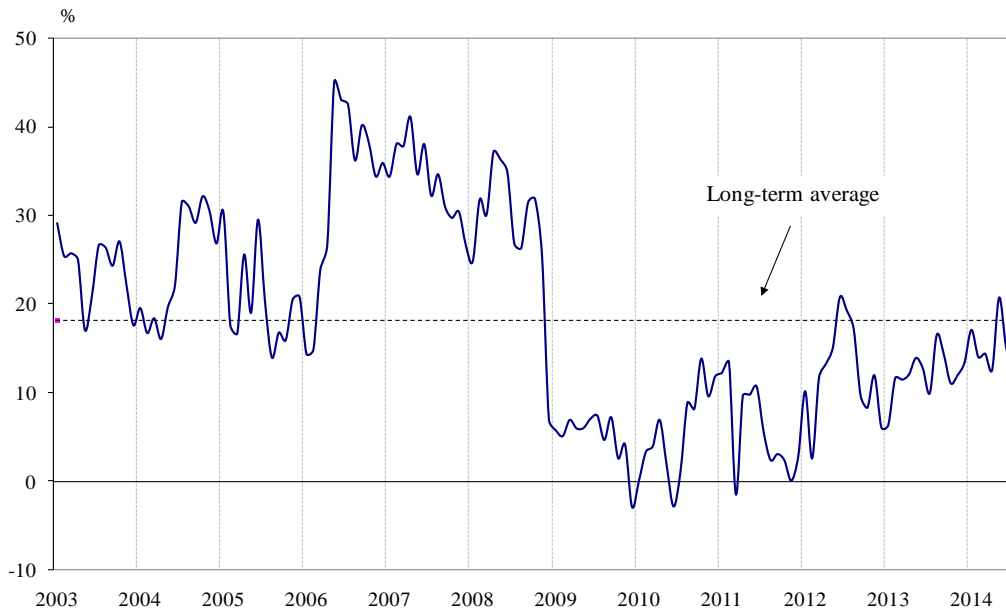
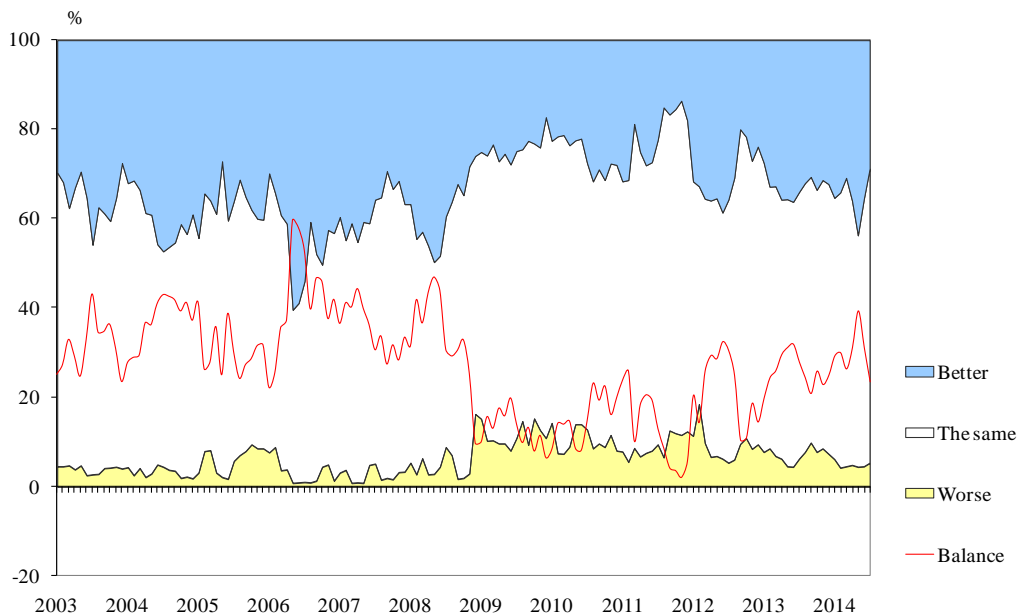
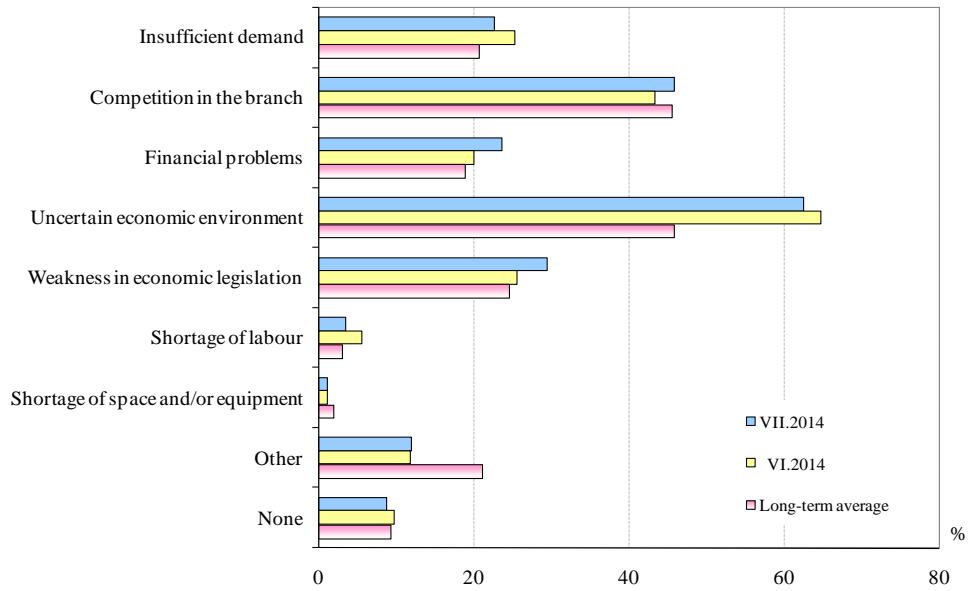


Figure 16. Expected business situation in service sector over the next 6 months





**Figure 17. Factors limiting the activity in service sector
(Relative share of enterprises)**



**Figure 18. Selling prices expectations in service sector
over the next 3 months**

